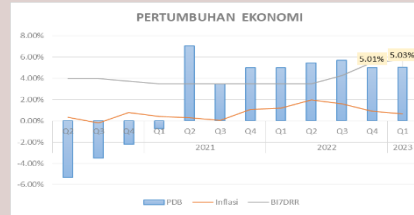


Economic Update

May highlights :

- Data from the Central Statistics Agency (BPS) shows that Indonesia's economic growth in the first quarter of 2023 was recorded at 5.03 % (yoy).
- Based on data from the Central Statistics Agency (BPS), May 2023 Consumer Price Index (CPI) inflation was recorded at 0.09% (mtm), with this development CPI inflation on an annual basis became 4.00% (yoy).
- The Central Statistics Agency (BPS) noted that the April 2023 trade balance was a surplus of USD 3.94 billion. This surplus increased when compared to the March 2023 trade balance surplus of USD 2.83 billion.
- Indonesia's balance of payments (BOP) performance in the first quarter of 2023 has improved.
- The Bank Indonesia Board of Governors' Meeting (RDG) on 24-25 May 2023 decided to maintain the BI 7- Day Reverse Repo Rate (BI7DRR) at 5.75%, the Deposit Facility interest rate at 5.00%, and the Lending Facility interest rate at 6.50%.

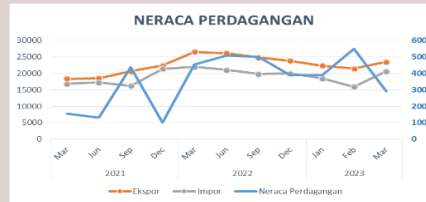
Economic growth



Data from the Central Statistics Agency (BPS) show that Indonesia's economic growth in the first quarter of 2023 was recorded at 5.03 % (yoy), slightly increasing compared to the growth in the previous quarter of 5.01% (yoy).¹

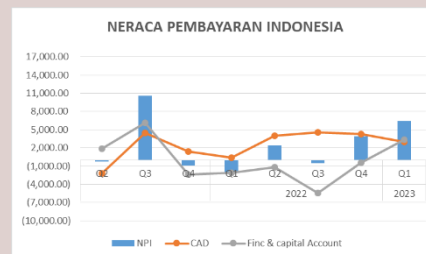
Based on data from the Central Statistics Agency (BPS), May 2023 Consumer Price Index (CPI) inflation was recorded at 0.09% (mtm), down from 0.33% (mtm) in the previous month. With these developments, annual CPI inflation was 4.00 % (yoy), lower than the previous month's inflation of 4.33% (yoy).

Indonesia's trade balance



The Central Statistics Agency (BPS) noted that the April 2023 trade balance was a surplus of USD 3.94 billion. This surplus increased when compared to the March 2023 trade balance surplus of USD 2.83 billion. The surplus occurred due to a decrease in the position of imports which was lower than exports. Non-oil and gas imports decreased throughout April 2023 by 22.27% on an annual basis.²

Indonesia's Balance of Payments



Indonesia's balance of payments (BOP) performance in the first quarter of 2023 has improved. BOP in the first quarter of 2023 recorded a surplus of US\$6.5 billion, an increase from US\$4.7 billion in the fourth quarter of 2022. BOP Performance This was supported by the continued current account surplus and was accompanied by a surplus in the capital and financial account.³

The Ministry of Finance (Kemenkeu) noted that the government's debt position in April 2023 was IDR 7,849.89 trillion, down IDR 29.18 trillion from the debt position in March 2023, which was IDR 7,879.07 trillion. The debt ratio in April decreased to 38.15 % of GDP, compared

¹Bps.go.id

²Bi.go.id

³Bi.go.id

Table 1. Economic Indicators		
Indicator	Apr'23	May'23
Inflation (yoy)	4.33%	4.00%
Inflation (mtm)	0.33%	0.09%
Trade balance (USD Billion)	3940	*
Foreign Exchange Reserves (USD Billion)	144.2	139.3

Note: * not yet released
Source : bi.go.id

Table 2. Economic Indicators		
Indicator	Q4'22	Q1'23
GDP	5.01%	5.03%
BOP (USD Millions)	4,700	6,500
CAD (USD Millions)	4,181	3,000

Source: bps.go.id

Table 3. Commodities		
Commodity	Apr'23	May'23
Brent Oil (USD/Barrel)	79.54	72.66
WTI (USD/Barrels)	76.78	68.09
CPO (MYR/Metrictons)	3,937.00	3,255.00
Batu bara (USD/Metrictons)	189.70	135.00
Emas (USD/troy oz)	1,990.00	1,962.73

Sumber : bloomberg

Tabel 4. Currencies			
Currencies	Apr'23	Mei'23	% Change
USD/IDR	14,674	14,994	-2.18%
USD/HKD	7.8496	7.8297	0.25%
USD/SGD	1.3344	1.3516	-1.29%
USD/MYR	4.4622	4.6130	-3.38%
USD/CNY	6,9184	7,1086	-2.75%
JPY/USD	136.30	139.34	-2.23%
AUD/USD	1.5118	1.5378	-1.72%
EUR/USD	0.9075	0.9355	-3.09%
GBP/USD	0.7957	0.8038	-1.01%

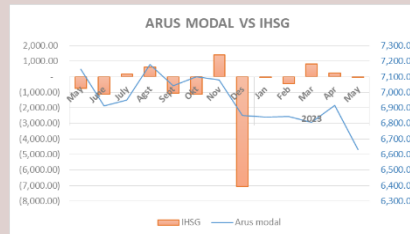
Sumber : bloomberg

Table 5. School Bunga Acuan		
Indicator	Apr'23	May'23
BI 7DRR	5.75%	5.75%
Fed Funds Rate	4.75-5.00%	4.75-5.00%

Source: bloomberg

to the previous month's 39.17% of GDP. Both in nominal and ratio terms, the debt position decreased compared to the previous month. This was influenced by financing mutations from both loan instruments and SBN, in which the repayments of principal debt in April were greater than the procurement/issuance of new debt, as well as the appreciation of the rupiah against *major foreign currencies* (EUR, JPY, USD) in April 2023 compared to March 2023.⁴

Inflow of Capital



The Composite Stock Price Index (JCI) remained stuck in the red zone at the close of month-end trading, Wednesday (31/5). JCI slightly weakened 0.05 % or 3.16 points to a level of 6,633.26.

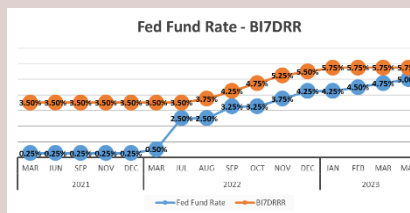
During trading, the JCI moved in the range of 6,562.96 to 6,657.65. The composite index is burdened by nine sectors. The energy sector led the decline by 2.09 % to 1,709.55. Its position was followed by the raw goods sector which also fell 1.85 % to a level of 983.56. While the other two sectors recorded increases. The technology sector led the gains by 8.84 % to a level of 5,105.89.⁵

Exchange Rate Movements



The rupiah exchange rate closed lower at the end of trading Wednesday (31/5/2023) to close to IDR 15,000 per US dollar. Quoting Bloomberg data, at 15.00 WIB, the rupiah closed down 9 points or 0.06 percent to IDR 14,994 per US dollar.

Interest rate



The Bank Indonesia Board of Governors' Meeting (RDG) on 24-25 May 2023 decided to maintain the BI 7- Day Reverse Repo Rate (BI7DRR) at 5.75%, the Deposit Facility interest rate

at 5.00%, and the Lending Facility interest rate at 6.50%. The decision to maintain the BI7DRR at 5.75% is consistent with the monetary policy stance to ensure that core inflation is under control within the range of 3.0±1% for the remainder of 2023 and Consumer Price Index (CPI) inflation can soon return to within the target range of 3.0 ±1% in the third quarter of 2023.⁶

⁴Kemenkeu.go.id

⁵Kontan.co.id

⁶Bi.go.id

OurView						
Macroeconomics Indicators and Forecasts						
Indicator	2018	2019	2020	2021	2022	2023f
GDP	5,17%	5,02%	-2,19%	5.02%	5.31%	4.70%-5.30%
Inflasi (yoy)	3,13%	2,72%	1.68%	1.87%	5.51%	4.25%-5.25%
Other						
FFR	2,50%	1,75%	0.25%	0.25%	4.50%	5.00%-6.00%
BI7DRR	6,00%	5,00%	3.75%	3.50%	5.50%	5.00%-5.50%
USD/IDR	14.394	13.866	14.050	14.263	15.572,50	14.750-15.250

Achievement of GDP or economic growth. It is estimated that the peak of economic growth in 2023 will occur in the second quarter. This is none other than because most of the months of Ramadan and Eid which are the peak of economic activity fall in April. The momentum of economic activity during Idul Fitri is also the moment that is eagerly awaited to increase the circulation of money in Indonesia.

Inflation. The authorities' efforts to bring Consumer Price Index (CPI) inflation back to the target range of 2% on an annual basis or yoy to 4% yoy have yielded results. However, there are risks that overshadow Indonesia's inflation prospects going forward. There are risks (*upside risks*), namely the potential increase in food prices due to El Nino. This storm will cause a long dry season in Indonesia. These factors will increase uncertainty over the future inflation rate.

Fed Funds Rate (FFR). There is a chance that The Federal Reserve (The Fed) will again raise its benchmark interest rate at a meeting in June 2023. Some of the latest data shows complex things to influence The Fed's policy this month. Where, the May employment report has exceeded expectations as employers added 339,000 jobs across various industries as well as key inflation data since the last policy meeting also rose.

Bank Indonesia (BI). It is estimated that Bank Indonesia (BI) will loosen monetary policy by lowering the reference interest rate or BI 7-Day Reverse Repo Rate (BI7DRR) to 5 percent at the end of 2023. The inflation rate in Indonesia is believed to continue to experience a downward trend in the future. This is believed to be Bank Indonesia's main consideration in lowering the benchmark interest rate to 5 percent.

Rupiah exchange rate . The rupiah exchange rate is currently not at its fundamental value and one of the reasons that could make the rupiah strengthen is by looking at the relatively positive condition of the Indonesian economy. The difficulty for the rupiah exchange rate to strengthen is inseparable from *the greenback* which tends to strengthen, due to the increase in the Fed's interest rate and because the domestic supply of dollars is limited.